

City of Brisbane

Agenda Report

To: City Council via City Manager
From: Financial Services Manager
Subject: Approval to move forward on Utility Bonds refinancing
Date: May 7, 2012

Purpose:

To take advantage of low interest rates and save money on our utility bonds.

Recommendation:

Approve the refunding plan of the 2002 Utility Bonds

Background:

The city commissioned Water and Sewer Master Plans in 2001. The preliminary findings discovered many capital improvements were required. The City also applied for and won several million dollars worth of federal grants for water and sewer improvements that required a city matching amount. As a way to fund the city match and do additional projects, the City considered issuing bonds.

In September 2002, the Brisbane Public Financing Authority issued \$4,450,000 revenue bonds to finance water and sewer system improvements. The bonds have interest rates from 3.25% to 5% and are subject to optional and mandatory redemption prior to maturity. Optional redemption may occur on September 1, 2012. The bonds are payable from revenues of the Utility Fund.

The bonds were used for the Valley Drive Lift Station, Lake Street booster pump and the new Glen Park Tank.

Currently, there is a balance of \$3,545,000 with interest rates from 4% to 5% payable through September 1, 2031. By issuing refunding bonds of \$3,655,000 at 4% annually until March 2032, the Utility Fund is estimated to save \$12,387 each year for a total of \$247,743 (present value savings is \$168,961).

Discussion:

In these economic times, staff believes the City should take advantage of every opportunity to reduce costs and save rate payers money. And more than \$10,000 per year over several years is something to consider. We have a few more years of rate increases from San Francisco Public Utilities Commission due to the Hetch Hetchy retrofit they will need to be passed on to our customers. This could be one small offset to those increases.

A bond can be sold either publicly or privately. Our Financial Advisor has recommended a private placement over a public offering because we would not need a reserve fund on the private placement and the interest rates are more favorable. This would be reviewed as the bond process moves forward.

Fiscal Impact:

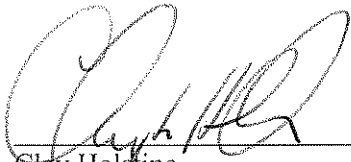
An annual savings of \$12,000 in the Utility Fund equaling \$247,000 over twenty years.

Attachments:

Debt Service Savings and Summary Schedule
Tentative Issuance Schedule
Distribution List



Betsy Cooper
Financial Services Manager



Clay Holstine
City Manager

City of Brisbane, California
Water/Sewer Refunding Bonds, Series 2012
Debt Service Savings and Summary Schedule

Issue Summary	
Dated Date	06/05/2012
Delivery Date	06/05/2012
Par Amount	\$3,655,000
Refunded Par	\$3,545,000
Avg Annual Savings	\$12,387
Total Savings	\$247,743
Present Value Savings	\$168,961
% of Refunding Par	4.623%
% of Refunded Par	4.766%
Net Underwriter's Spread	0.410%
Total Costs as % of Par	2.223%
TIC	4.04548%
Bond Yield	3.99844%
Arbitrage Yield	3.99844%
Escrow Yield	0.00000%
Average Life	11.46
Estimated Neg(Pos) Arbitrage	\$34,173

Sources

Par Amount	\$3,655,000.00
Original Issue Prem/(Disc)	0.00
Debt Service Fund	56,882.92
Accrued Interest	<u>0.00</u>
Total	\$3,711,882.92

Uses

Restricted Escrow	\$3,630,325.00
Initial Escrow Deposit	50.00
Unrestricted Escrow	0.00
Underwriting	15,000.00
Insurance	0.00
Bond Reserve Fund	0.00
Issuance Costs	66,250.00
Accrued Interest	0.00
Miscellaneous	<u>257.92</u>
Total	\$3,711,882.92

City of Brisbane, California
Water/Sewer Refunding Bonds, Series 2012
Debt Service Savings and Summary Schedule

Date	Principal	Rate	Interest	Annual Debt Service	Refunded Debt Service	Cashflow Savings
06/05/2012						
03/01/2013	0	4.000%	108,025.56	108,025.56	113,765.83	5,740.28
09/01/2013	130,000	4.000%	73,100.00			
03/01/2014			70,500.00	273,600.00	288,248.75	14,648.75
09/01/2014	135,000	4.000%	70,500.00			
03/01/2015			67,800.00	273,300.00	288,286.25	14,986.25
09/01/2015	140,000	4.000%	67,800.00			
03/01/2016			65,000.00	272,800.00	283,067.50	10,267.50
09/01/2016	150,000	4.000%	65,000.00			
03/01/2017			62,000.00	277,000.00	287,458.13	10,458.13
09/01/2017	155,000	4.000%	62,000.00			
03/01/2018			58,900.00	275,900.00	286,355.00	10,455.00
09/01/2018	155,000	4.000%	58,900.00			
03/01/2019			55,800.00	269,700.00	284,870.00	15,170.00
09/01/2019	165,000	4.000%	55,800.00			
03/01/2020			52,500.00	273,300.00	287,892.50	14,592.50
09/01/2020	170,000	4.000%	52,500.00			
03/01/2021			49,100.00	271,600.00	285,450.00	13,850.00
09/01/2021	185,000	4.000%	49,100.00			
03/01/2022			45,400.00	279,500.00	292,450.00	12,950.00
09/01/2022	190,000	4.000%	45,400.00			
03/01/2023			41,600.00	277,000.00	288,750.00	11,750.00
09/01/2023	195,000	4.000%	41,600.00			
03/01/2024			37,700.00	274,300.00	284,625.00	10,325.00
09/01/2024	205,000	4.000%	37,700.00			
03/01/2025			33,600.00	276,300.00	290,000.00	13,700.00
09/01/2025	210,000	4.000%	33,600.00			
03/01/2026			29,400.00	273,000.00	284,875.00	11,875.00
09/01/2026	220,000	4.000%	29,400.00			
03/01/2027			25,000.00	274,400.00	289,250.00	14,850.00
09/01/2027	225,000	4.000%	25,000.00			
03/01/2028			20,500.00	270,500.00	283,125.00	12,625.00
09/01/2028	240,000	4.000%	20,500.00			
03/01/2029			15,700.00	276,200.00	286,500.00	10,300.00
09/01/2029	250,000	4.000%	15,700.00			
03/01/2030			10,700.00	276,400.00	289,125.00	12,725.00
09/01/2030	255,000	4.000%	10,700.00			
03/01/2031			5,600.00	271,300.00	286,125.00	14,825.00
09/01/2031	280,000	4.000%	5,600.00			
03/01/2032			0.00	285,600.00	297,250.00	11,650.00
	3,655,000		1,674,725.56	5,329,725.56	5,577,468.96	247,743.40
					Net Savings	247,743.40

\$3,665,000 (estimated)
City of Brisbane, California
Water and Sewer Revenue Refunding Bonds
Series 2012

Tentative Issuance Schedule

Date	Activity	Participants
Thursday, 04/19/12	Council Subcommittee approves Refunding Plan	B
Monday, 05/07/12	City Council (the "Council") approves Refunding Resolution	B, BC, FA
Wednesday, 05/09/12	Distribute draft Request for Bids	FA
Friday, 05/11/12	Comments due on Request for Bids Distribute Request for Bids	All FA
Wednesday, 05/30/12	Bids Due	
Monday, 06/18/12	Council adopts Bond Resolution	DO, BC, FA
Tuesday, 06/26/12	Closing (to be determined based on bank bid)	DO, BC, FA
Wednesday, 08/01/12	Publish Notice of Prior Redemption	PA
Saturday, 09/01/12	Redemption of 2002 Bonds	PA

Participants Key

B = City of Brisbane, Issuer

BC = Quint & Thimming, Bond Counsel

FA = JNA Consulting Group LLC, Financial Advisor

PA = BNY Mellon Trust, Paying Agent



\$3,665,000 (estimated)
City of Brisbane, California
Water and Sewer Revenue Refunding Bonds
Series 2012

Distribution List

Issuer

City of Brisbane

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Harold Toppel, City Attorney, cityattorney@ci.brisbane.ca.us	415-508-2116

Bond Counsel

Quint & Thimmig

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Escrow Bank

The Bank of New York Trust Company, N.A.

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Financial Advisor

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